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SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

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FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For Fiscal Quarter Ended March 31, 1992

Commission File Number 0-577

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PACKAGE MACHINERY COMPANY

(Exact name of registrant as specified in its charter)

Delaware	04-1697760
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

24 West Street, Stafford Springs, CT 06076
(Address of principal executive offices) (Zip Code)

Registrant's tel. no., including area code: 203 684-5894

Former name, former address and former fiscal year, if changed since last report.

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

Yes x No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at May 8, 1992
Common Stock, $1 Par Value	1,236,026 shares

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EXHIBIT INDEX

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PART 1 FINANCIAL INFORMATION

PACKAGE MACHINERY COMPANY
Consolidated Statements of Operations
For the Three Months Ended March 31, 1992 and 1991
(Dollars in Thousands Except Per Share Amounts)
(Unaudited)

	1992	1991
Net Sales	$ 8,608	12,905
Operating Costs:		
Cost of Sales	5,183	7,902
Selling, administrative and engineering expense	3,931	3,771
Interest expense	115	190
Other expense	121	54
Total operating costs	9,350	11,917
Earnings (loss) before income taxes and extraordinary item	<742>	988
Income taxes	-	395
Earnings (loss) before extraordinary item	<742>	593
Extraordinary item:		
Reduction of income taxes arising from carryforward of prior years' operating losses	-	395
Net earnings (loss)	$ <742>	988
Earnings (loss) per common share:		
Net earnings (loss) per share before extraordinary item	<.60>	.54
Extraordinary item	-	.36
Net earnings (loss) per share	$ <.60>	.90
Weighted average shares outstanding	1,236,026	1,093,170

See accompanying notes to consolidated financial statements.

PACKAGE MACHINERY COMPANY
Consolidated Balance Sheets
March 31, 1992 and December 31, 1991
(Dollars in Thousands)
(Unaudited)

	March 31, 1992	Dec. 31, 1991
ASSETS		
Current assets:		
Cash	$ 644	252
Receivables, net	5,817	8,561
Inventories, at LIFO Cost:		
Finished goods	1,091	1,037
Work in process	7,987	6,769
Raw materials	336	366
Total inventories	9,414	8,172
Other current assets	772	736
Total current assets	16,647	17,721
Fixed assets at cost	8,686	8,705
Less accumulated depreciation	5,041	5,222
Fixed assets, net	3,645	3,483
Cost in excess of net assets acquired	811	849
Prepaid pension costs, net	4,670	4,491
Other non-current assets	1,330	1,349
Assets held for sale	3,625	3,625
Total assets	$ 30,728	31,518
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	3,339	2,999
Customers' advance payments	4,902	3,212
Current portion of long-term debt	526	454
Accrued expenses	1,975	2,322
Net liabilities of discontinued product line	567	674
Total current liabilities	11,309	9,661
Long-term debt, net of current portion	7,649	9,289
Other non-current liabilities	1,348	1,404
Total liabilities	20,306	20,354
Shareholders' equity:		
Common stock $1 par value: authorized 4,000,000 shares; issued 1,236,026	1,236	1,236
Additional paid-in capital	6,979	6,979
Retained earnings	2,436	3,178
Amount related to recording minimum pension liability	(229)	(229)
Total shareholders' equity	10,422	11,164
Total liabilities and shareholders' equity	$ 30,728	31,518

See accompanying notes to consolidated financial statements.

PACKAGE MACHINERY COMPANY
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Three Months ended March 31, 1992 and 1991
(Dollars in Thousands)
(Unaudited)

	1992	1991
Cash provided by (used for) operating activities:		
Cash received from customers	$ 13,004	11,831
Cash paid to suppliers and employees	(10,471)	(11,599)
Interest paid	(180)	(235)
Sundry income (expense)	15	(28)
Net cash provided by (used for) operating activities	2,368	(31)
Cash provided by (used for) investing activities:		
Capital expenditures	(197)	(93)
Proceeds from sale of fixed assets	44	-
Cost in excess of net assets acquired	(27)	-
Net cash provided by (used for) investing activities	(180)	(93)
Cash provided by (used for) financing activities:		
Net borrowings (paydowns) under line-of-credit	(1,650)	(225)
Principal payments on long-term debt	(146)	(125)
Net cash provided by (used for) financing activities	(1,796)	(350)
Net increase (decrease) in cash	392	(474)
Cash at beginning of year	252	474
Cash at end of period	$ 644	-

See accompanying notes to consolidated financial statements.

PACKAGE MACHINERY COMPANY
CONSOLIDATED STATEMENT OF CASH FLOWS-CONTINUED

	1992	1991
Reconciliation of net earnings (loss) to net cash provided by (used for) operating activities:		
Net earnings (loss)	$ (742)	988
Adjustments to reconcile net earnings (loss) to net cash provided by (used for) operating activities:		
Depreciation and amortization	148	225
Amortization of cost in excess of net assets acquired	65	26
Provision for losses on receivables	38	12
Loss on sale of fixed assets	71	-
(Increase) decrease in receivables	2,706	(448)
(Increase) decrease in inventories	(1,242)	1,123
(Increase) decrease in other current assets	(36)	(17)
(Increase) decrease in other non-current assets	(160)	(207)
Increase (decrease) in accounts payable and accrued expenses	(114)	(1,064)
Increase (decrease) in customers' advance payments	1,690	(626)
Increase (decrease) in other non-current liabilities	(56)	(43)
Total adjustments	3,110	(1,019)
Net cash provided by (used for) operating activities	$ 2,368	(31)

Supplemental schedule of noncash investing and financing activities:

Capital lease obligations of $228 were incurred in 1992 when the Company entered into lease agreements for fixed assets.

See accompanying notes to consolidated financial statements.

PACKAGE MACHINERY COMPANY

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

1. In the opinion of the Company, the accompanying unaudited consolidated condensed financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position as of March 31, 1992 and 1991, and the results of operations and cash flows for the three month periods then ended.

2. The results of operations for the three months ended March 31, 1992 may not be indicative of the results to be expected for the full year.

3. The Company is involved in a number of product liability lawsuits incidental to its business. The Company believes the lawsuits will not have a material adverse effect on its financial condition.

4. On March 12, 1992 the Company received commitments from lenders which are affiliated with the Company's Chairman and President, whereby the Company can borrow up to $1 million through July 1, 1993 at the Connecticut National Bank base rate plus 1%. The debt will be unsecured and subordinate to the Company's revolving credit facility and Connecticut Development Authority Industrial Development Bonds. On May 7, 1992, the Company's unsecured revolving credit agreement and Connecticut Development Authority Industrial Development Bonds Agreement were amended to change certain financial covenants, to permit the aforementioned borrowings and to provide a $1 million overline at the bank's base rate plus 1/2%, expiring December 31, 1992.

PACKAGE MACHINERY COMPANY

Management Discussion and Analysis of Financial Condition and Results of Operations

The Company's first quarter of 1992 net loss of $.7 million compares unfavorably with the $1 million net earnings for the same period of 1991. The change from earnings to a loss results primarily from the $4.3 million decline in sales in the first quarter of 1992 compared with the first quarter of 1991. The sales decline is indicative of the decline in backlog that existed at December 31, 1991 and lower volume of system sales in 1992 compared to 1991. Backlog increased to $15.2 as of March 31, 1992 compared with $12.3 million at December 31, 1991.

Although net sales for the first quarter decreased in comparison with 1991, gross margins have remained relatively constant at 39.8% of sales in 1992 compared with 38.8% in 1991. The increase in gross margin percentage results primarily from the mix of products sold.

Selling, administrative and engineering expenses increased 4.2% in the first quarter of 1992 compared with 1991 and were 45.7% of sales in 1992 compared to 29.2% for the same period in 1991. The increased percentage of sales results from the high composition of fixed costs coupled with the decrease in sales volume. Interest expense decreased approximately $.1 million, primarily due to lower borrowings resulting from positive cash flow from operations as well as more favorable rates.

As a result of the above, the Company experienced a net loss of $.7 million in the first quarter of 1992 compared with net earnings of $1 million in the first quarter of 1991. In 1991, the availability of net operating loss carryforwards resulted in a reduction of income taxes by $.4 million which is reflected as an extraordinary item. The Company has net operating loss carryforwards of approximately $6.7 million available to reduce taxes in future periods.

The Company's working capital at March 31, 1992 of $5.3 million is a decrease of $2.7 million from December 31, 1991. The decrease resulted from the reduced sales volume in the first quarter of 1992 compared with the fourth quarter of 1991, the collection of accounts receivable and the increase in customers' advance payments reflective of the $2.9 million increase in backlog in the first quarter of 1992. The operating activities of the Company resulted in positive cash flow of $2.4 million which was utilized to pay down long-term debt, reducing the long-term debt to equity ratio to .73:1 at March 31, 1992 from the .83:1 ratio at December 31, 1991 despite the unprofitable operations in the first quarter, and to reinvest in capital assets.

The Company has a $7.5 million unsecured line of credit expiring June 1993 at the bank's base rate, of which $4.6 was utilized at March 31, 1992. Also available is a $1 million overline at the bank's base rate plus 1/2% which was not utilized at March 31, 1992 and expires December 31, 1992. The Company's Chairman and President, on behalf of certain of their affiliates, have each committed to loan the Company $.5 million of subordinated debt, due July 1993. The Company believes the existing credit facilities, together with the issuance of such subordinated debt, will be sufficient to meet the Company's near term cash and capital requirements. However, the Company's objective is to increase its capital base to support operations through a combination of additional borrowings, sale of capital stock and reinvested earnings.

PART II OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

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(a) Exhibits:

1. Item 4 - Amended and Restated Credit Agreement dated May 7, 1992, between the Company and the Connecticut National Bank. 11

2. Item 4 - Amendment No. 6 to Connecticut Development Authority $6,100,000 Industrial Development Bonds dated as of May 7, 1992, between the Company, Connecticut Development Authority and the Connecticut National Bank, as trustee. 61

3. Item 4 - Promissory Note dated May 7, 1992 granted to the Connecticut National Bank. 94

4. Item 4 - Negative Pledge Agreement dated as of May 7, 1992 in favor of the Connecticut National Bank. 86

(b) Reports on Form 8-K:

1. On February 24, 1992, Registrant filed a report on Form 8-K dated February 24, 1992 reporting the announcement of its earnings for the year ended December 31, 1991, including the restatement of 1990 results to reflect a reduction in inventory resulting from a correction of a computational error in the 1990 carrying value.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PACKAGE MACHINERY COMPANY
(Registrant)

By: _____
Charles H. Murphy
Vice President - Finance
and Chief Financial Officer

Issued: May 8, 1992